

FINANCIAL STATEMENTS

TOWNSHIP OF ESCANABA
Delta County, Michigan

For the year ended March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ESCANABA	County DELTA
Audit Date 03/31/05	Opinion Date 08/15/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) SCHNEIDER, LARCHE, HAAPALA & CO., PLLC			
Street Address 401 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature <i>Schneider Larche Haapala Company PLLC</i>		Date 7/11/06	

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*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.

Denise M. Boyle, C.P.A., P.C.

Bruce D. Dewar, C.P.A.

Karen L. Meiers, C.P.A., P.C.

August 15, 2005

Township Board
Township of Escanaba
Delta County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Escanaba, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Escanaba, Michigan as of March 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information of pages 3 through 6 and 24 and 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Township of Escanaba

August 15, 2005

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Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supplemental information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schneider Larche Haysdale Company PLLC
Certified Public Accountants

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS
March 31, 2005**

This discussion and analysis of the Township's financial position and activities is presented as of and for the year ended March 31, 2005. The information presented should be read in conjunction with the Townships financial statements that follow.

The discussion and analysis is intended to assist the readers understanding of the financial statements by highlighting summarized financial data, activities, trends and other related information.

ANNUAL REPORT

The Township annual report consists of three main financial information components as follows:

- Basic financial statements
- Required supplemental information
- Other supplemental information

Basic Financial Statements - The basic financial statements present government - wide financial statements that provide information about the Township's financial condition and activities as a whole. The government - wide financial statements provide data relating to the long-term nature of the Township's operations by reporting all Township assets and liabilities that will provide or require financial resources in the future and the Township's investment in property and equipment.

In addition, the basic financial statements present fund financial statements that provide information about the significant individual funds of the Township. The basic financial statements also include footnote disclosures necessary to provide additional information regarding the basic financial statements and other significant issues regarding the Township's financial position and activity.

Required Supplemental Information - Required supplemental information is not a part of the basic financial statements but is an important part of the annual report. The primary financial information contained herein is budgetary information of the Township's General Fund.

Other Supplemental Information - Other supplemental information provides additional financial information regarding nonmajor funds of the Township and budgetary information not included as required supplemental information.

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2005**

FINANCIAL HIGHLIGHTS

Financial highlights discussed below include the following items:

- Adoption of GASB Statement 34
- Government-wide financial information
- Governmental funds financial information
- Other information

Adoption Of GASB Statement 34 - This annual report has been prepared in accordance with Governmental Accounting Standards Board Statement 34. The new standard was implemented for the first time in the current year. Information for the year 2004 presented below has been restated to be comparative with 2005.

Government - wide Financial Information - The net assets of the Township as a whole for the year ended March 31, 2005 increased by \$52,922 to \$1,243,082. A comparison of net assets as of March 31, 2004 and 2005 are as follows:

	<u>2004</u>	<u>2005</u>
Cash	\$ 565,640	\$ 637,332
Receivables	<u>66,895</u>	<u>65,038</u>
Total noncapital assets	632,535	702,370
Capital assets, net	<u>578,067</u>	<u>556,458</u>
Total assets	<u>1,210,602</u>	<u>1,258,828</u>
Current liabilities	7,442	9,746
Long-term debt	<u>13,000</u>	<u>6,000</u>
Total liabilities	<u>20,442</u>	<u>15,746</u>
Net assets	<u>\$1,190,160</u>	<u>\$1,243,082</u>

Net assets are categorized as follows:

Invested in capital assets, net of related debt	\$ 558,067	\$ 548,458
Restricted net assets	67,081	35,809
Unrestricted net assets	<u>565,012</u>	<u>658,815</u>
	<u>\$1,190,160</u>	<u>\$1,243,082</u>

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2005**

Government - wide Financial Information (Continued)

Significant revenues and expenditures on a government-wide basis are as follows for the years ending March 31, 2004 and 2005:

Revenues:	<u>2004</u>		<u>2005</u>	
Program:		<u>%</u>		<u>%</u>
Charges for services	\$ 16,048	4	\$ 16,085	4
Grants and contributions	1,430	1	4,687	1
General:				
Taxes	84,502	23	84,896	23
State revenue sharing	252,513	69	254,286	68
Other	<u>10,515</u>	<u>3</u>	<u>14,875</u>	<u>4</u>
	\$ <u>365,008</u>	<u>100%</u>	\$ <u>374,829</u>	<u>100%</u>
Expenditures:				
General operations	\$ 161,181	49	\$ 154,687	48
Public safety	55,843	17	41,605	13
Public works	80,535	24	80,532	25
Recreation	4,481	1	6,295	2
Interest expense	1,379	1	594	-
Other expenditures	<u>26,457</u>	<u>8</u>	<u>38,194</u>	<u>12</u>
	\$ <u>329,876</u>	<u>100%</u>	\$ <u>321,907</u>	<u>100%</u>
Change in Net Assets	\$ <u>35,132</u>		\$ <u>52,922</u>	

Revenues for the year ended March 31, 2006 are currently projected to approximate revenues recorded for the year ended March 31, 2005.

Expenditures for the year ended March 31, 2005 were comparable to the prior year. Expenditures for the year ended March 31, 2006 are expected to remain relatively constant with 2005.

Governmental Funds Financial Information - As discussed in the basic financial statements, the basis of presentation and the basis of accounting used in preparing the government-wide and governmental funds financial statements are different. Accordingly, the governmental funds information presented below will differ from the government-wide information presented above.

**TOWNSHIP OF ESCANABA
DELTA COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)
March 31, 2005**

Governmental Funds Financial Information(Continued)

The fund balances of the governmental funds of the Township increased by \$68,848 to \$667,745 during the year ended March 31, 2005. Cash balances of the governmental funds increased by \$71,692 to \$637,332 for the same period.

Revenues and expenditure comparisons with the prior year are as follows:

	<u>2004</u>	<u>2005</u>
Total Revenues		
General fund	\$ 361,114	\$ 385,965
Other funds	13,816	6,252
Total Expenditures		
General fund	322,867	289,301
Other funds	<u>10,073</u>	<u>34,068</u>
Change in fund balances	\$ <u>41,990</u>	\$ <u>68,848</u>

Other Information

Debt Service - The Township made principal payments on long-term debt totaling \$12,000. Total outstanding debt as of March 31, 2005 was \$8,000. The principal and interest debt service requirement for the next fiscal year are \$2,000 and \$437, respectively.

Capital Outlay - The Township purchased no capital outlay items during the year. The Township's total investment in property and equipment totaled \$888,308 as of March 31, 2005. No significant capital expenditures are projected for the next fiscal year.

TOWNSHIP OF ESCANABA
STATEMENT OF NET ASSETS

March 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and certificates of deposit	\$ 637,332
Taxes receivable	5,252
Special assessments receivable	3,360
Due from other governments	<u>56,426</u>
TOTAL CURRENT ASSETS	702,370
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>556,458</u>
TOTAL ASSETS	\$ <u>1,258,828</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 7,746
Current portion of long-term obligations	<u>2,000</u>
TOTAL CURRENT LIABILITIES	9,746
Noncurrent Liabilities:	
Noncurrent portion of long-term obligations	<u>6,000</u>
TOTAL LIABILITIES	<u>15,746</u>
<u>NET ASSETS</u>	
Invested in capital assets	548,458
Restricted:	
Nonexpendable	14,506
Restricted for special purposes	21,303
Unrestricted	<u>658,815</u>
TOTAL NET ASSETS	<u>1,243,082</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,258,828</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

STATEMENT OF ACTIVITIES

For the year ended March 31, 2005

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
Legislative	\$ 24,800	\$ -	\$ -	(\$ 24,800)
General government	129,887	14,285	-	(115,602)
Public safety	41,605	1,800	4,687	(35,118)
Public works	80,532	-	-	(80,532)
Recreation and culture	6,295	-	-	(6,295)
Interest on long-term debt	594	-	-	(594)
Other	<u>38,194</u>	<u>-</u>	<u>-</u>	(<u>38,194</u>)
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>321,907</u>	\$ <u>16,085</u>	\$ <u>4,687</u>	(<u>301,135</u>)
General Revenues:				
Property taxes				84,896
State sources not restricted				254,286
Interest income				12,001
Other revenue				<u>2,874</u>
TOTAL GENERAL REVENUE				<u>354,057</u>
Change in net assets				52,922
Net assets, beginning of year				<u>1,190,160</u>
Net assets, end of year				\$ <u>1,243,082</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2005

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and certificates of deposit	\$ 605,538	\$ 31,794	\$ 637,332
Due from other funds	702	1,440	2,142
Taxes receivable	5,252	-	5,252
Special assessments receivable	-	3,360	3,360
Due from other governmental units	<u>56,426</u>	<u>-</u>	<u>56,426</u>
TOTAL ASSETS	\$ <u>667,918</u>	\$ <u>36,594</u>	\$ <u>704,512</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 7,663	\$ -	\$ 7,663
Due to other funds	1,440	702	2,142
Deferred revenues	<u>23,602</u>	<u>3,360</u>	<u>26,962</u>
TOTAL LIABILITIES	<u>32,705</u>	<u>4,062</u>	<u>36,767</u>
<u>FUND BALANCES</u>			
Reserved for:			
Permanently nonexpendable	-	14,506	14,506
Debt service	-	1,806	1,806
Other purposes	-	16,220	16,220
Unreserved	<u>635,213</u>	<u>-</u>	<u>635,213</u>
TOTAL FUND BALANCES	<u>635,213</u>	<u>32,532</u>	<u>667,745</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>667,918</u>	\$ <u>36,594</u>	\$ <u>704,512</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total fund balances in governmental funds	\$	667,745
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are not reported in the governmental funds balance sheet because they are not current financial resources, but they are reported in the statement of net assets.		556,458
Certain receivables are deferred in the governmental funds balance sheet because they are not available to pay current period expenditures, but they are not deferred in the statement of net assets.		26,962
Certain liabilities are not reported in the governmental funds balance sheet because they are not due and payable, but they are presented in the statement of net assets.	(<u>8,083)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,243,082</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended March 31, 2005

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 85,227	\$ -	\$ 85,227
State sources	259,316	1,430	260,746
Charges for service	9,324	200	9,524
Interest and rentals	17,916	645	18,561
Special assessments	-	3,815	3,815
Other	<u>3,632</u>	<u>-</u>	<u>3,632</u>
TOTAL REVENUES	<u>375,415</u>	<u>6,090</u>	<u>381,505</u>
Expenditures:			
Legislative	24,800	-	24,800
General government	126,164	-	126,164
Public safety	24,371	1,619	25,990
Public works	80,532	-	80,532
Recreation and culture	4,024	-	4,024
Debt service	-	12,953	12,953
Other	<u>29,248</u>	<u>8,946</u>	<u>38,194</u>
TOTAL EXPENDITURES	<u>289,139</u>	<u>23,518</u>	<u>312,657</u>
Excess of Revenues (Expenditures)	<u>86,276</u>	(<u>17,428</u>)	<u>68,848</u>
Other Financing Activities:			
Transfers in	10,550	162	10,712
Transfers out	(<u>162</u>)	(<u>10,550</u>)	(<u>10,712</u>)
TOTAL OTHER FINANCING ACTIVITIES	<u>10,388</u>	(<u>10,388</u>)	<u>-</u>
Change in Fund Balances	96,664	(27,816)	68,848
Fund Balances, beginning of year	<u>538,549</u>	<u>60,348</u>	<u>598,897</u>
Fund Balances, end of year	\$ <u>635,213</u>	\$ <u>32,532</u>	\$ <u>667,745</u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2005

Net change in total governmental fund balances	\$	68,848
Amounts reported for governmental activities in the statement of activities is different because:		
Capital outlays are reported as expenditures in the governmental fund financial statement because they use current financial resources, but they are depreciated over their estimated economic lives in the statement of activities. The amount of current depreciation in excess of current year capital outlays.	(21,609)
Revenues that are not available to pay current obligations are not reported in the governmental fund financial statement, but they are presented in the statement of activities.	(6,676)
Repayment of debt is shown as an expenditure in the governmental fund financial statement but are not reported in the statement of activities.		12,000
Expenditures recognized in the governmental fund financial statement are generally limited to those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		<u>359</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>52,922</u></u>

See notes to financial statements.

TOWNSHIP OF ESCANABA

FIDUCIARY FUNDS STATEMENT OF ASSETS AND LIABILITIES

March 31, 2005

		<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$	<u>7,859</u>
	\$	<u><u>7,859</u></u>
<u>LIABILITIES</u>		
Due to other governmental units	\$	<u>7,859</u>
	\$	<u><u>7,859</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Escanaba have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governmental entities. A summary of the significant accounting policies followed in the preparation of the financial statements are presented below.

A) Reporting Entity - The Township of Escanaba's financial statements present the Township as the primary government. The Township does not have any component units.

B) Basic Financial Statements - The Township's basic financial statements are comprised of the following four components:

- 1) Government-wide financial statements
 - 2) Governmental funds financial statements
 - 3) Fiduciary funds financial statements
 - 4) Notes to the financial statements
- 1) Government-wide financial statements report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has generally been removed from these statements.

The Statement of Net Assets displays the assets, liabilities and net assets of the Township as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenues include user fees and grants and contributions restricted for specific operational or capital acquisition purposes. Taxes, unrestricted state grants and other revenues not properly reported as program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2) Governmental funds financial statements report on the individual governmental funds of the Township. Major governmental funds are reported on separately and nonmajor funds are reported on as a group.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenue sources meeting the availability criteria include state shared revenues. Various receivables and grant reimbursements collected after the period of availability would be recorded as deferred revenues.

Expenditures generally are recorded when a liability is incurred. Expenditures not normally paid from currently available resources are recorded when payment is due. Examples of expenditures recorded when due would include debt service expenditures, expenditures relating to compensated absences, and claims and judgements.

The individual governmental funds are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Township's governmental funds can be classified into four specific fund types. The specific fund types, purposes and the actual funds maintained by the Township, are as follows:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds. The General Fund is the only major fund maintained by the Township.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Fund - The Township's special revenue fund is used to account for proceeds of specific revenue sources or to finance specific activities as required by law or administration regulations. The only special revenue fund maintained by the Township is the Liquor Law Enforcement Fund.

Debt Service Fund - The Township's debt service funds are used to account for the accumulation of cash resources for debt retirement and for the payment of principal and interest on long-term debt not paid through the General Fund. The debt service funds maintained by the Township are the 0.8 Lane and Westwood debt funds.

Permanent Fund - The Township's permanent fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support activities that benefit the Township's citizens. The only permanent fund maintained by the Township is the Cemetery Trust Fund.

- 3) Fiduciary fund financial statements are used to report assets held in a trustee or agency capacity for others and are not available to support general Township programs. The fiduciary funds are excluded from the government-wide financial statements. Fiduciary funds use the accrual basis of accounting. The Township's only fiduciary funds are the Current Tax Collection Fund and the Trust and Agency Fund.
- 4) Notes to the financial statements provide information to the reader that is considered critical to the readers understanding of the financial statements and the Township's financial position and activities. The disclosures provide information that generally cannot be determined by a reading of the other sections of the financial statements.

C) Budgets - The Township prepares and adopts budgets on a cash basis. Unexpended appropriations lapse at the end of the fiscal year. The Township's General Fund expenditure budget is adopted at the activity level. The Township also adopts special revenue and debt service fund budgets, which adopt expenditures at the account level. The Township Supervisor is responsible for the preparation and monitoring of the budget. The Township Board is responsible for the approval of the original budgets and any subsequent amendments.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Net Assets/Fund Balances Terminology - The nonexpendable portion of net assets/fund balances is permanently restricted (reserved) and not available for expenditure for Township purposes. The restricted (reserved) portion of net assets/fund balances is available only for expenditure for specific purposes due to conditions established by law or the resource provider. The Township's policy is to apply expenditures against restricted resources, when applicable, before using unrestricted resources.

E) Accounts Receivable - Property taxes and other accounts receivable are shown net of any allowance for amounts that the Township believes will be uncollectible. Amounts due from other governments represent accounts receivable from federal, state and local governments.

F) Capital Assets - Capital assets, which include property, equipment, and other assets, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has elected not to retroactively record the value of infrastructure assets.

Types of property generally not recorded as capital assets would include certain office furniture and equipment, and various fire services equipment and turn-out gear.

Capital assets are depreciated using the straight-line method over the following useful lives:

•	Buildings	30 to 50 years
•	Fire vehicles	15 to 20 years
•	Equipment and furnishings	10 to 15 years

Capital assets are recorded as an asset and depreciated for the government-wide financial statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets are reported as an expenditure in the governmental fund financial statements when acquired.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) Deferred Revenues - Deferred revenues have met the asset recognition criteria but have not met the revenue recognition criteria. Deferred revenues include resources received but not yet earned and accounts receivable not received within the availability period of 60 days.

H) Noncurrent Liabilities - Noncurrent liabilities are reported in the government-wide financial statements but are not reported in the governmental funds financial statements. Proceeds from noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt service expenditures, respectively, in the governmental funds financial statements.

I) Property Taxes - The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on the taxable valuation of property as of the preceding December 31. In addition to collecting their own taxes, the Township also acts as collection agent for all over-lapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two or three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. Property taxes not meeting the availability criteria are recorded as deferred revenue in the governmental fund financial statements. For the current year the Township levied .8277 mills for general operating purposes.

J) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 2 - ADOPTION OF GASB STATEMENT NO. 34

The Government Accounting Standards Board is responsible for establishing generally accepted accounting principles for state and local governments. The Township has adopted a new financial reporting model as of April 1, 2004 as required by GASB Statement No. 34, Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments. In connection with this accounting change, the Township has also changed the basis of accounting used by their governmental funds from the cash to the modified accrual basis. Because this change is occurring with the changes required by GASB No. 34, management has accounted for the change to the modified accrual basis by restating the prior fund balance of their governmental funds, as follows:

Total fund balances of governmental funds, as previously stated	\$ 565,640
Cumulative adjustment to previously stated fund balances of governmental funds due to change in basis of accounting	<u>33,257</u>
Total fund balances of governmental funds, as restated	\$ <u>598,897</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan compiled laws authorize and limit deposits and investments to federally insured financial institutions with offices in the State of Michigan, direct obligations of the United States, certain obligations of the State of Michigan or its' political subdivisions, specific investment grade short-term commercial paper, bankers acceptances of United States banks and mutual funds investing in authorized investment types.

The Township's investment policy requires that the Township invest excess monies in interest bearing accounts or certificates of federally insured banks located in the State of Michigan and is in compliance with statutory requirements established by the State.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Cash deposits are recorded at cost. During the past year, cash balances deposited have exceeded the maximum federally insured deposit levels. Cash balances as of March 31, 2005 consisted of the following:

Noninterest bearing checking accounts	\$	5
Interest bearing accounts		189,607
Interest bearing short-term deposits		<u>455,579</u>
	\$	<u>645,191</u>

Total uninsured and unsecured deposits as of March 31, 2005 amounted to \$325,320, based on actual bank balances on that date of \$652,607.

NOTE 4 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended March 31, 2005:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance March 31, 2005</u>
Nondepreciated Capital Assets:				
Land	\$ 257,761	\$ -	\$ -	\$ 257,761
Depreciated Capital Assets:				
General government:				
Buildings and improvements	130,796	-	-	130,796
Equipment and furnishings	54,149	-	6,000	48,149
Fire activity:				
Buildings and improvements	42,458	-	-	42,458
Vehicles	343,083	-	-	343,083

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance March 31, 2005</u>
Recreation activity:				
Buildings and improvements	49,185	-	-	49,185
Equipment	<u>16,876</u>	<u>-</u>	<u>-</u>	<u>16,876</u>
Total Cost	<u>894,308</u>	<u>-</u>	<u>6,000</u>	<u>888,308</u>
Accumulated Depreciation:				
Building and improvements	132,330	4,569	-	136,899
Vehicles	120,101	14,765	-	134,866
Equipment and furnishings	<u>63,810</u>	<u>2,275</u>	<u>6,000</u>	<u>60,085</u>
Total Accumulated	<u>316,241</u>	<u>21,609</u>	<u>6,000</u>	<u>331,850</u>
Net Capital Assets	\$ <u>578,067</u>	(\$ <u>21,609</u>)	\$ <u>-</u>	\$ <u>556,458</u>

Depreciation expense was charged to the following functions in the Township's Statement of Activities in the government-wide financial statements:

General government	\$ 3,723
Public safety	15,615
Recreation and culture	<u>2,271</u>
	\$ <u>21,609</u>

NOTE 5 - DEFERRED REVENUES

As of March 31, 2005, the Township's deferred revenues consisted of the following for the governmental funds financial statements:

Taxes receivable	\$ 5,252
State revenue sharing receivable	18,350
Special assessments receivable	<u>3,360</u>
	\$ <u>26,962</u>

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 6 - NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2005 is as follows:

	<u>Special Assessment Bonds</u>
Balance, April 1	\$ 20,000
Less, payments on long-term debt	(<u>12,000</u>)
Balance, March 31	\$ <u><u>8,000</u></u>

The special assessment limited tax bonds require the payment of interest at 6.25%. The bonds, which are secondarily guaranteed by the Township, are secured by special assessments receivable.

Total debt requirements for the special assessment bonds to maturity are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
March 31, 2006	\$ 437	\$ 2,000	\$ 2,437
2007	281	3,000	3,281
2008	<u>94</u>	<u>3,000</u>	<u>3,094</u>
	\$ <u><u>812</u></u>	\$ <u><u>8,000</u></u>	\$ <u><u>8,812</u></u>

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2005 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 10,550	General	\$ 162
Nonmajor funds	<u>162</u>	Nonmajor funds	<u>10,550</u>
	\$ <u><u>10,712</u></u>		\$ <u><u>10,712</u></u>

Transfers to the General Fund were used to supplement cemetery operations accounted for in the General Fund. Transfers out of the General Fund were to close out one of the Township's debt service funds.

TOWNSHIP OF ESCANABA

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 8 - DEFERRED COMPENSATION PLAN

On May 18, 2002, the Township Board approved and adopted a Section 457 Deferred Compensation Plan. Under terms of the plan, officers and employees of the Township may elect to defer the payment of compensation otherwise payable to them in an amount not to exceed the lesser of \$7,500 or one-third of annual compensation.

NOTE 9 - NET ASSETS/FUND BALANCES

Certain net assets in the government-wide financial statements and fund balances in the governmental fund financial statements are externally restricted (reserved) on a permanent basis or for specific purposes, as follows:

	<u>Government- Wide</u>	<u>Governmental Funds</u>
<u>Nonmajor Funds</u>		
Permanently restricted for cemetery care, interest income only available for expenditure	\$ 14,506	\$ 14,506
Restricted (reserved) for debt service	5,083	1,806
Restricted (reserved) for other purposes:		
Cemetery operations	709	709
Liquor law enforcement	<u>15,511</u>	<u>15,511</u>
Nonmajor Fund Restricted (Reserved)	\$ <u>35,809</u>	\$ <u>32,532</u>

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Township's principal resource used to manage these risks is through the purchase of commercial property and liability insurance policies.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ESCANABA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Cash Basis Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 81,743	\$ 81,743	\$ 85,227	\$ 3,484
State sources	246,000	246,000	254,497	8,497
Charges for services	6,800	6,800	9,324	2,524
Interest and rentals	16,500	16,500	17,916	1,416
Other	<u>2,000</u>	<u>2,000</u>	<u>3,632</u>	<u>1,632</u>
TOTAL REVENUES	<u>353,043</u>	<u>353,043</u>	<u>370,596</u>	<u>17,553</u>
Expenditures:				
Legislative	45,400	43,400	24,800	18,600
General government	224,305	224,305	126,164	98,141
Public safety	45,620	45,620	24,371	21,249
Public works	88,000	88,000	80,532	7,468
Recreation and culture	5,000	5,000	4,024	976
Other	<u>35,564</u>	<u>37,564</u>	<u>29,248</u>	<u>8,316</u>
TOTAL EXPENDITURES	<u>443,889</u>	<u>443,889</u>	<u>289,139</u>	<u>154,750</u>
Excess of revenues (expenditures)(<u>90,846)</u>	<u>90,846)</u>	<u>81,457</u>	<u>172,303</u>
Other Financing Activities:				
Transfers in	-	-	10,550	10,550
Transfers out	<u>-</u>	<u>-</u>	<u>(162)</u>	<u>(162)</u>
TOTAL OTHER FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>10,338</u>	<u>10,388</u>
Change in Fund Balance	(90,846)	(90,846)	91,845	182,691
Fund Balance, beginning of year	<u>505,292</u>	<u>505,292</u>	<u>505,292</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 414,446</u>	<u>\$ 414,446</u>	<u>\$ 597,137</u>	<u>\$ 182,691</u>

TOWNSHIP OF ESCANABA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

March 31, 2005

BUDGETARY INFORMATION

The Township prepares annual budgets on a cash basis. A reconciliation of revenues and expenditures between the modified accrual basis of accounting used in the preparation of the governmental funds financial statements and the cash basis of accounting used for budgetary reporting is as follows:

	<u>General Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Amounts reported on modified accrual basis	\$ 375,415	\$ 289,139
Cash basis adjustments:		
Current year increase in accounts receivable	(1,958)	-
Current year decrease in deferred revenues	(2,861)	-
Cash basis amounts	\$ <u>370,596</u>	\$ <u>289,139</u>

Budgetary comparisons are required supplemental information for the General Fund only.

Budgetary comparison schedules for nonmajor governmental funds with adopted budgets are included in the other supplemental information section of the annual report.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF ESCANABA

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

March 31, 2005

ASSETS

Cash and certificates of deposit
Due from other funds
Special assessments receivable

	Cemetery Trust Fund	Liquor Law Enforcement Fund	0.8 Lane Debt Fund	Total
	\$ 13,775	\$ 15,511	\$ 2,508	\$ 31,794
	1,440	-	-	1,440
	-	-	3,360	3,360
TOTAL ASSETS	\$ 15,215	\$ 15,511	\$ 5,868	\$ 36,594

LIABILITIES

Due to other funds
Deferred revenues

	\$ -	\$ -	\$ 702	\$ 702
	-	-	3,360	3,360
TOTAL LIABILITIES	-	-	4,062	4,062

FUND BALANCES

Reserved for:
Permanently nonexpendable
Debt service
Other purposes

	14,506	-	-	14,506
	-	-	1,806	1,806
	709	15,511	-	16,220
TOTAL FUND BALANCES	15,215	15,511	1,806	32,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,215	\$ 15,511	\$ 5,868	\$ 36,594

TOWNSHIP OF ESCANABA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended March 31, 2005

	Cemetery Trust Fund	Liquor Law Enforcement Fund	0.8 Lane Debt Fund	Westwood Debt Fund	Total
Revenues:					
State sources	\$ -	\$ 1,430	\$ -	\$ -	\$ 1,430
Charges for services	200	-	-	-	200
Interest and rentals	333	294	3	15	645
Special assessments	-	-	2,400	1,415	3,815
	<u>533</u>	<u>1,724</u>	<u>2,403</u>	<u>1,430</u>	<u>6,090</u>
Expenditures:					
Public Safety	-	1,619	-	-	1,619
Debt service	-	-	2,568	10,385	12,953
Other	-	-	-	8,946	8,946
	<u>-</u>	<u>1,619</u>	<u>2,568</u>	<u>19,331</u>	<u>23,518</u>
Excess of Revenues (Expenditures)	533	105	(165)	(17,901)	(17,428)
Other Financing Activities:					
Transfers in	-	-	-	162	162
Transfers out	(10,550)	-	-	-	(10,550)
Change in Fund Balances	(10,017)	105	(165)	(17,739)	(27,816)
Fund Balances, beginning of year	<u>25,232</u>	<u>15,406</u>	<u>1,971</u>	<u>17,739</u>	<u>60,348</u>
Fund Balances, end of year	\$ <u>15,215</u>	\$ <u>15,511</u>	\$ <u>1,806</u>	\$ -	\$ <u>32,532</u>

TOWNSHIP OF ESCANABA

GENERAL FUND REVENUE BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 60,000	\$ 57,107	(\$ 2,893)
Delinquent taxes, penalties, and interest	5,000	5,965	965
Property tax administrative fees	16,500	21,668	5,168
Other taxes	243	487	244
State Sources:			
Revenue sharing	246,000	242,544	(3,456)
Other	-	11,953	11,953
Charges for Services:			
Cemetery fees	300	275	(25)
Fire fees	2,500	1,800	(700)
Other fees	1,000	767	(233)
Summer tax collection fee	3,000	6,482	3,482
Interest and Rentals:			
Interest income	9,000	11,356	2,356
Hall rentals	7,500	6,560	(940)
Other:			
Miscellaneous	<u>2,000</u>	<u>3,632</u>	<u>1,632</u>
	\$ <u><u>353,043</u></u>	\$ <u><u>370,596</u></u>	\$ <u><u>17,553</u></u>

TOWNSHIP OF ESCANABA

GENERAL FUND EXPENDITURE BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

		<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Legislative:					
Township Board	\$	45,400	\$ 43,400	\$ 24,800	\$ 18,600
General Government:					
Township Supervisor/Assessor		46,623	46,623	44,136	2,487
Township Clerk		16,250	16,250	15,530	720
Township Treasurer		23,332	23,332	22,342	990
Township hall		98,500	98,500	26,715	71,785
Auditing and accounting		2,600	2,600	-	2,600
Board of Review		1,200	1,200	651	549
Cemetery		11,500	11,500	3,206	8,294
Planning and zoning		12,300	12,300	7,066	5,234
Elections		12,000	12,000	6,518	5,482
Public Safety:					
Fire protection		45,620	45,620	24,371	21,249
Public Works:					
Street lighting		11,000	15,000	14,952	48
Roads		77,000	73,000	65,580	7,420
Recreation and Cultural:					
Recreation		5,000	5,000	4,024	976
Other:					
Insurance		17,000	19,000	18,905	95
Social security		10,000	10,000	7,414	2,586
Retirement plan		6,000	6,000	2,929	3,071
Contingency		<u>2,564</u>	<u>2,564</u>	<u>-</u>	<u>2,564</u>
	\$	<u>443,889</u>	\$ <u>443,889</u>	\$ <u>289,139</u>	\$ <u>154,750</u>

TOWNSHIP OF ESCANABA

LIQUOR LAW ENFORCEMENT FUND BUDGETARY
COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:			
State grants	\$ -	\$ 1,430	\$ 1,430
Interest	<u>-</u>	<u>294</u>	<u>294</u>
	<u>-</u>	<u>1,724</u>	<u>1,724</u>
Expenditures:			
Law enforcement	<u>-</u>	<u>1,619</u>	<u>1,619</u>
Excess of Revenues Received Over (Under) Expenditures Paid	-	105	105
FUND BALANCE, APRIL 1	<u>15,406</u>	<u>15,406</u>	<u>-</u>
FUND BALANCE, MARCH 31	\$ <u><u>15,406</u></u>	\$ <u><u>15,511</u></u>	\$ <u><u>105</u></u>



*Schneider, Larche,
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS
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Karen L. Meiers, C.P.A., P.C.

August 15, 2005

Township Board
Township of Escanaba
Delta County, Michigan

In planning and performing our audit of the financial statements of the Township of Escanaba for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the Township of Escanaba's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions must be determined solely by considering the Township's internal control and whether it is functioning as designed. Other factors related to the Township's financial reporting system including, but not limited to, integrity of Board members and employees, prior experience of those individuals involved in the financial reporting process and the lack of errors or improprieties in the current and prior audits have a positive effect on the audit process but cannot be considered when determining if reportable conditions exist.

Small organizations, by their very nature, generally lack adequate internal control due to the fact that incompatible duties generally cannot be adequately segregated without additional allocation of responsibilities or additional cost. In addition, the effectiveness of internal control is affected by the timeliness of control procedures, which small organizations with part-time officers and employees often have difficulty in performing. Cost and risk factors must also be considered when determining what constitutes an appropriate level of internal control.

REPORTABLE CONDITIONS

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions, however, we noted the following matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accounts.

Segregation of Duties: Cash Receipts

The Township Treasurer is responsible for receiving and depositing cash receipts, reconciling the bank accounts and has control over all bank and certificate accounts. Giving one individual both custodial and recording-keeping responsibilities for the same asset creates a significant control weakness. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

Segregation of Duties: Current Tax Collection

The Township Treasurer currently has sole responsibility for the collection, deposit, disbursement and bank account reconciliation over the current tax collection. Giving one individual both custodial and record-keeping responsibilities for the same asset creates a significant control risk. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

OTHER MATTERS

In addition to the reportable conditions noted above, we noted certain other matters discussed below.

General Ledger System

The Township is currently using a inexpensive vendor general ledger system that is relatively easy to learn and use. The Township has done an excellent job in adapting the general ledger system for use in maintaining the Township's records.

The Township Board should be aware, however, that the general ledger system lacks some of controls found in some other available vendor general ledger systems. The Township's general ledger system allows for transactions to be changed after initial recording and also permits transactions to be posted to earlier periods if the general ledger is not properly closed.

Township of Escanaba

August 15, 2005

Page 3

This report is intended solely for the information and use of the Township of Escanaba Board and officers and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Zinke Haasole Company PLLC
Certified Public Accountants